

1923

System of standard accounting methods and cost finding for household goods warehouse

National Furniture Warehousemen's Association. Cost and Accounting Committee

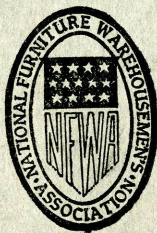
Follow this and additional works at: https://egrove.olemiss.edu/acct_inst

Recommended Citation

National Furniture Warehousemen's Association. Cost and Accounting Committee, "System of standard accounting methods and cost finding for household goods warehouse" (1923). *Publications of Accounting Associations, Societies, and Institutes*. 63.
https://egrove.olemiss.edu/acct_inst/63

This Article is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in Publications of Accounting Associations, Societies, and Institutes by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

SYSTEM
OF
STANDARD ACCOUNTING METHODS
AND COST FINDING
FOR
Household Goods Warehouse



Published by the

National
Furniture Warehousemen's
Association

1018 South Wabash Ave

Secretary's Office, 4259 Drexel Boulevard

CHICAGO, ILL.

Chicago

SYSTEM
OF
STANDARD ACCOUNTING METHODS
AND COST FINDING
FOR
Household Goods Warehouse



Published by the

National
Furniture Warehousemen's
Association

4651 Cottage Grove Ave.
Secretary's Office, ~~4259 Drexel Boulevard~~

CHICAGO, ILL.

SUPPLEMENT NO. 1
(Supplementing pages 1 to 10 Inc.)

**System of
Standard Accounting Methods
and Cost Finding
for Household Goods Warehouses**

**Instructions as to the use of attached illustrated
forms 1 to 6 inc., as adopted by the National
Furniture Warehousemen's Association in con-
vention at Houston, Texas, Jan. 21 to 26, 1924.**

**OFFICE OF SECRETARY
765 Oakwood Boulevard, Chicago, Illinois**

JOURNAL AND CHARGE INCOME RECORD—FORM 1

1. Form provides for record and distribution of all charge income and miscellaneous journal entries.
2. Form should be posted daily and grand totals in columns posted monthly to accounts in ledgers corresponding with column headings of form, except items recorded under heading of "General Ledger," which should be posted to ledger accounts corresponding with designations in column "J." Amounts in columns "A" and "B" should be posted daily to proper customers' ledger accounts.
3. With this plan, income is segregated currently to departments and Income Accounts—column "A" represents the control and amount to be debited monthly to Accounts Receivable. Illustration of some entries on form No. 1:

MRS. J. M. GRAY—ACCOUNT 272

Total Account of \$40.00 posted to column A
Made up of:
Storage 3.00 posted to column C
Storage handling 4.00 posted to column D
Cartage 16.00 posted to column E
Pckg. Material 6.00 posted to column F
Pckg. Labor 6.00 posted to column G

Closing entries and any credit allowances or corrections should be posted to columns "K" and "L" (see illustration on form item of \$2.00 account James Brown). Credit allowances may be posted in red ink, if desired, in columns affected instead of in column "K."

CASH BOOK AND CASH INCOME RECORD—FORM 2

4. Form provides for record of Bank Account, Petty Cash Fund, petty advances for customers, collections from customers, collections and distribution of cash business, miscellaneous cash receipts and disbursements. Plan provides for daily banking of **all collections** and the payment of accounts by check, except petty cash items for which a petty fund should be provided.
5. Form should be posted daily and grand totals in each column posted monthly to accounts in ledgers corresponding with column headings on form, except items under heading "General Ledger," which should be posted to ledger accounts corresponding with designations in column "M."
6. Illustration of some entries on Form No. 2:
 - (a) To establish a Petty Cash Fund: Draw a check for amount desired—say \$500.00, and enter amount in columns "B" and "C." To replenish fund (illustrated as \$250.00 used), check should be drawn for \$250.00 and amount entered in columns "B" and "P" and Column "A" of Form 3, and amounts distributed to accounts affected, which in this case are illustrated by entries to columns "B," "C," "D" and "J" form 3.
 - (b) An item of expressage, illustrated as \$1.00, is paid from petty cash fund for Mrs. Jones, a customer. The amount should be posted to columns "D" and "E" and from entry in column "E" posted to Customer's account. To replenish the Petty Cash fund for such amounts paid out, draw check for total amount so paid, making entries in columns "B" and "C" (not illustrated).
 - (c) Collections on charge accounts, as illustrated by item of \$10.00 account of Peter Hines, should be posted in columns "A" and "F" and from entries in Column "F" posted to Customer's Ledger Account.
 - (d) Cash business as illustrated by item of \$50.00—Geo. Loomis, should be posted to column "A" and distributed to proper revenue accounts, which in this illustration are under columns "G," "H" and "I."
 - (e) Payments for expenses previously distributed on Form 3 (explained under heading "Expense Voucher Register Form 3") should be posted in columns "B" and "P" as illustrated by checks 707, 708 and 709, amounts \$50.00, \$100.00 and \$1,000.00, respectively.

EXPENSE VOUCHER REGISTER—FORM 3

7. Form provides for the record and distribution of all invoices received for payment.

8. Form should be posted daily and grand totals in columns posted monthly to accounts in ledgers corresponding with column headings of form except items recorded under heading "General Ledger," which should be posted to ledger accounts corresponding with designations in column "L."

9. Illustration of some entries on Form 3:

- (a) Item John Smith advertising \$50.00 should be posted to columns "A" and "J," and when paid reference to bank voucher number shown opposite amount (illustrated check No. 707), and amount posted to columns "B" and "P" of form 2, as outlined in paragraph "E" of Rule 6.
- (b) We have an invoice for \$100.00, Carroll Box & Lumber Co., for packing material. As illustrated amount should be posted in columns "A" and "E," and when paid, handled as outlined in paragraph "E" of rule 6.
- (c) We have an invoice for \$1,000.00 for Insurance. As illustrated, amount should be posted to columns "A," and "M" under Account "Prepaid Insurance." This amount should be distributed monthly to the accounts affected, which in this case is "Overhead." \$83.33 should be posted in column "J" and, in column "N," as a credit to "Prepaid Insurance." Payment of the \$1,000.00 should be posted to form 2, as outlined in paragraph "E," of Rule 6.
- (d) Check for \$250.00 drawn to replenish the Petty Cash and covering amounts paid from petty cash should be posted to column "A" and accounts affected, which in this case are in Columns "B," "C" and "D"—(explained in paragraph "A" of Rule 6).
- (e) Item of \$25.00, Excelsior Mfg. Co. illustrated, should be posted to columns "A" and "E," but as account has not been paid, reference to bank check number is not shown nor is amount posted to Form 2 until paid—this illustrates that items without bank check reference are invoices received and not paid.

DISTRIBUTION OF CARTAGE EXPENSE—FORM 4

- 10. Form provides for the distribution of amounts posted in column "D" of Form 3, and the recording of depreciation, space cost and overhead chargeable to the cartage department.
- 11. Form should be posted currently and totals of each column carried forward for entire year. **No posting to ledgers required as this form takes place of ledger records.**
- 12. As illustrated on forms, amount of \$90.00 posted in column "D," Form 3, has been distributed to the accounts affected, represented by columns "D" and "E" of Form 4.

DISTRIBUTION OF OVERHEAD EXPENSES—FORM 5

- 13. Form provides for the distribution of amounts posted in column "J" of Form 3.
- 14. Form should be posted currently and total of each column carried forward for entire year. **No postings to ledgers required, as this form takes place of ledger records.**
- 15. As illustrated on forms, amounts of \$50.00, \$83.33 and \$100.00 posted in column "J" of Form 3 have been distributed to the proper accounts on Form 5, which in this case are represented by columns "D," "E," "F" and "I."

DISTRIBUTION OF REAL ESTATE EXPENSES—FORM 6

- 16. Form provides for the distribution of amounts posted in Column "K" of Form 3, and the recording of depreciation on warehouse equipment and buildings, and interest on real estate investments.
- 17. Form should be posted currently and total of each column carried forward for entire year. **No postings to ledgers required as this form takes place of ledger records.**
- 18. Amounts posted in column "K" of Form 3, should be distributed to proper accounts on Form 6, as illustrated in the case of Cartage and Overhead Expenses.

NOTE: Suggestions for revision of forms and instructions solicited.

COST AND ACCOUNTING COMMITTEE:

| | | |
|--------------------------------|----------------|---------------|
| WM. R. WOOD, Chairman | | |
| WM. L. BOSTWICK, Vice-Chairman | | |
| W. LEE COTTER | E. B. GOULD | M. E. TURNER |
| WALTER E. SWEETING | EDWARD MURDOCK | EDWARD TUCKER |

**Forms referred to in Supplement
No. 1 to N. F. W. A. System of
Standard Accounting Methods
and Cost Finding.**

Actual Size 11 x 14 inches.

Form. 2
11 x 18

Form 3
11 x 17

[illegible][illegible][illegible]

DEAR SIR,

Form 5
11 x 14

| DISTRIBUTION OF OVERHEAD EXPENSES | | | | | | | | | | | | | | |
|--|-------------------------|-----|--|-----------------------|--------------------|-------------------|-----------------------------------|----------------------|-----------------------|------------------|-----------------------|-----------------------|----------------------------|----------------------|
| MONTH OF <u>January</u> , 19 <u>44</u> | | | | | | | | | | | | | | |
| TOTAL OF EACH COLUMN SHOULD BE CARRIED FORWARD FOR ENTIRE YEAR | | | | | | | | | | | | | | |
| REFERENCE | | | | | | | | | | | | | | |
| DATE | ITEM | NO. | SYSTEMS EXPENSES EXCLUDED FROM COL. A | EXECUTIVE SALARIES | OFFICE SALARIES | OFFICE POSTAGE | TELEPHONE EXPENSES CARRIAGE | ADVERT. TRAVELING | ASSAULTS TRAVELING | LOSSES DAMAGE | INSURANCE DIRECTLY | ESTIMATING EXPENSE | CORPORATE INCOME TAX | INTEREST ON DEBTS |
| 8 | John Smith | | A | | | | | | | | | | | |
| | See Index for Ref. Nos. | | 5000 | | | | | | | | | | | |
| | per cash | | 83.93 | | | | | | | | | 83.93 | | |
| | | | 166.00 | | | 736.00 | 250.00 | | | | | | | |
| | | | | | | | | 500.00 | | | | | | |

[illegible]

Forms referred to in Supplement No. 1 to N. F. W. A. System of Standard Accounting Methods and Cost Finding.

SYSTEM
OF
STANDARD ACCOUNTING METHODS
AND COST FINDING
FOR
Household Goods Warehouse

COSTS AND ACCOUNTING COMMITTEE

WM. T. BOSTWICK, Chairman

Fifth and Erie Sts., Jersey City, N. J.

W. LEE COTTER.....40 W. 3rd St., Mansfield, Ohio
H. L. HALVERSON.....400 E. Lake St., Minneapolis, Minn.
C. A. ASPINWALL.....1140 15th St., Washington, D. C.
D. V. MURDOCH.....546 Neville St., Pittsburgh, Pa.
W. R. WOOD.....43-47 W. 64th St., New York
BUELL G. MILLER.....2709 No. Broad St., Philadelphia

BY COURTESY OF
THE AMERICAN WAREHOUSEMEN'S
ASSOCIATION

OFFICERS AND DIRECTORS

1922-1923

| | |
|--|--------------------|
| FLOYD L. BATEMAN | President |
| Trans-Continental Freight Co. 203 So. Dearborn St., Chicago | |
| E. B. GOULD..... | 1st Vice-President |
| and Regional Director, Western Division. Pioneer Truck Co., 249 Broadway, San Diego, Calif. | |
| WM. T. BOSTWICK..... | 2nd Vice-President |
| and Regional Director Eastern Division. Thos. J. Stewart Co., 143 W. 99th St., New York, N. Y. | |
| S. C. BLACKBURN..... | 3rd Vice-President |
| and Regional Director, Central Division. A-B-C Fireproof Warehouse Co., Eighth and Troost Ave., Kansas City, Mo. | |
| W. FRED RICHARDSON..... | 4th Vice-President |
| and Regional Director Southern Division. W. Fred Richardson Security Storage Co., 601 W. Main St., Richmond, Va. | |
| RALPH J. WOOD..... | Secretary |
| Lincoln Warehouse and Van Co., 4259 Drexel Blvd., Chicago | |
| JAS. F. KEENAN..... | Treasurer |
| Haugh and Keenan Storage & Transfer Co., 5913 Centre Ave., Pittsburgh, Pa. | |

DIRECTORS FOR THREE YEARS

| | |
|---|-----------------|
| CHAS. S. MORRIS..... | New York, N. Y. |
| Metropolitan Fireproof Warehouse Corp., 39-41 W. 66th St. | |
| MARTIN H. KENNELLY..... | Chicago, Ill. |
| Fort Dearborn Fireproof Storage Co., 4615 Clifton Ave. | |
| LEE ORCUTT..... | St. Louis, Mo. |
| General Warehousing Co., 4908 Delmar Blvd. | |
| BEN S. HURWITZ..... | Houston, Texas |
| Westheimer Transfer Co., 2519 Commerce Ave. | |

DIRECTORS FOR TWO YEARS

| | |
|--|-------------------|
| WALTER E. SWEETING..... | Philadelphia, Pa. |
| Atlas Storage Warehouse Co., Market at 37th St. | |
| J. H. TROYER..... | Chicago |
| North Shore Fireproof Storage Co., 4820 Broadway | |
| WM. L. SMITH..... | Cincinnati, Ohio |
| The Fireproof Storage Co., 706 Oak St. | |
| R. V. WEICKER..... | Denver, Colo. |
| Weicker Transfer & Storage Co., 1700 15th St. | |

DIRECTORS FOR ONE YEAR

| | |
|---|--------------|
| GRANT WAYNE | New York |
| West End Storage Warehouse, 202-212 West 89th St. | |
| FRANK H. HEBARD..... | Chicago |
| Hebard Storage Warehouses, Winchester and Ogden Aves. | |
| T. F. CATHCART..... | Atlanta, Ga. |
| Cathcart Transfer & Storage Co., 6 Madison Ave. | |
| MILO W. BEKINS..... | Los Angeles |
| Bekins Fireproof Storage, 1335 S. Figueroa St. | |

National Furniture Warehousemen's Association

REPORT OF THE CENTRAL BUREAU COMMITTEE ON STANDARD ACCOUNTING METHODS AND COST FINDING

Your Committee has not attempted to go into the matter of the origin of cash book or journal entries, except as they apply to the general cost finding method recommended. No doubt, investigation and recommendation of a simple system of original entries would be of value to our members.

We are submitting for your approval an Accounting Outline and a System illustrated by application to a standard furniture warehouse based on the present cost of reproduction. The first problem we are confronted with is to determine the actual space cost. Two warehouses of the same construction in the same locality may have a very different space cost owing to the varying costs of buildings at the time of erection, or because of a favorable or unfavorable lease.

Therefore, it is recommended that the first step in determining the actual space cost be based on 7 per cent. of the present value of the land and the appraised sound value of the buildings thereon, whether the property is owned by the Operating Company or leased. Recent rulings of Public Utility Commissions approve 7 per cent, as the factor to be used.

OUTLINE OF WAREHOUSE ACCOUNTING SYSTEM

A—Assets

B—Liabilities

C—Income—(1) Real Estate
(2) Operating

D—Expense—(1) Real Estate
(2) Operating
(3) Overhead

E—Clearing and General Miscellaneous Accounts

A—ASSETS

- 1—Cash
- 2—Accounts Receivable
- 3—Notes Receivable
- 4—Inventory (Material and Supplies)
- 5—Prepaid Accounts
- 6—Investments (Stocks and Bonds)
- 7—Real Estate or Leasehold Investment
- 8—Cartage Equipment
- 9—Warehouse Equipment
- 10—Office Equipment
- 11—Good Will, Copyrights, etc.

B—LIABILITIES

- 1—Accounts Payable
- 2—Notes Payable
- 3—Mortgage
- 4—Reserves
- 5—Capital Stock
- 6—Surplus

C—INCOME

- 1—Real Estate (if property owned).

or

Leasehold (if property leased).

Credit 7 per cent. of the present value of the land and the appraised sound value of the buildings thereon.

NOTE: (This item is charged to Real Estate or Leasehold Expense Clearing Account.)

- 2—Storage
- 3—Storage Handling
- 4—Cartage
- 5—Packing Material
- 6—Packing Labor
- 7—Carpet Cleaning
- 8—Safe Deposit
- 9—Cold Storage

D—EXPENSES

1—Real Estate (if property owned).

or

Leasehold (if property leased).

Charge Mortgage Interest to Real Estate,

or

Charge Rental to Leasehold

2—Storage—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

3—Storage Handling—

a—All direct charges

b—Overhead

4—Cartage—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

5—Packing Material—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

6—Packing Labor—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

7—Carpet Cleaning—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

8—Safe Deposit—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

9—Cold Storage—

a—Department Rental or Space Charge

b—All direct charges

c—Overhead

E—CLEARING AND GENERAL MISCELLANEOUS ACCOUNTS

1—Real Estate }
or } Expense Clearing Account
Leasehold }

Debit:

- a—(If owned).
- a 1—Charge from Real Estate Income Account C-1
- a 2—Repairs
- a 3—Taxes (Land and Building only)
- a 4—Depreciation (2 per cent. per annum building valuation)
- a 5—Obsolescence (1 per cent. per annum building valuation)
- a 6—Insurance
- a 7—Heat
- a 8—Light
- a 9—Water
- a 10—Elevator Maintenance
- a 11—Power
- b—(If leased)
- b 1—Charge from Leasehold Income Account C-1
- b 2—Investment in Leasehold (if any)
- b 3—Other expenses as per terms of Lease

Credit:

- Department space as charged to—
- a—Storage
 - b—Storage Handling
 - c—Cartage
 - d—Packing Material
 - e—Packing Labor
 - f—Carpet Cleaning
 - g—Safe Deposit
 - h—Cold Storage

2—Overhead Clearing Account

Debit:

- a—Executive Salaries
- b—Office Salaries
- c—Office Supplies
- d—Postage
- e—Telephone and Telegraph
- f—Advertising
- g—Association Dues
- h—Loss and Damage
- i—Insurance (not chargeable to Departments)
- j—Estimating Expense
- k—Corporation Taxes (not including income or excess profit taxes)
- l—Interest on loans and discounts

Credit:

- Department space as charged to—
- a—Storage
 - b—Storage Handling
 - c—Cartage
 - d—Packing Material
 - e—Packing Labor
 - f—Carpet Cleaning
 - g—Safe Deposit
 - h—Cold Storage

3—Prepaid Clearing Account

Debit:

a—Rent

b—Insurance

c—Miscellaneous

Credit:

Distribute to the ac-
counts affected

4—Profit and Loss, Suspense or other General Accounts not heretofore
included

EXPLANATION OF OUTLINE

A—ASSETS and B—LIABILITIES need no explanation.

C—INCOME—

1—Real Estate or Leasehold: The credit to this amount is that amount which represents a proper return based on present value of land the appraised sound value of buildings thereon.

2—STORAGE. 3—STORAGE HANDLING. 4—CARTAGE.

5—PACKING MATERIAL. 6—PACKING LABOR.

7—CARPET CLEANING. 8—SAFE DEPOSIT.

9—COLD STORAGE.

Credit Income Accounts two to nine inclusive, as per outline, with all earnings which belong to each department.

As many operations require the service of several departments, care should be used in the proper distribution of earnings.

D—EXPENSES

1—Real Estate or Leasehold: If property is owned, charge interest on mortgage.

If property is rented, charge rental.

The difference between credit on C-1 Real Estate or Leasehold INCOME account and this account will be the net Profit or Loss on Real Estate or Leasehold Account.

2—STORAGE. 3—STORAGE HANDLING. 4—CARTAGE.

5—PACKING MATERIAL. 6—PACKING LABOR.

7—CARPET CLEANING. 8—SAFE DEPOSIT.

9—COLD STORAGE.

a—Department Rental or Space Charge: The first step in the distribution of Department Expenses is to determine the percentage of space occupied by each department. The following plan is recommended:

SPACE CHARGE

a 1—Obtain the gross cubic feet of space in building.

a 2—Obtain the gross cubic feet of space occupied by each department, and divide into the gross cubic feet of building, thereby ascertaining the percentage of the building occupied by each department.

NOTE: (Be sure to include in Packing and Shipping Department any space which may be set aside for the storing of material, even if such space is not actually in use at the time of making the calculations.

In calculating Cartage space, include all that is occupied for the storage, maintenance or upkeep of all vehicles in use by the Cartage Department.)

a 3—Charge to each department its percentage of the total space cost as shown by E-1 Real Estate or Leasehold Expense Clearing Account.

b—DIRECT CHARGES: Charge to each department all expenses or portion of such expenses which belong directly to such department.

c—OVERHEAD: We have remaining all those expenses which it has not been possible to charge directly to any single department.

These will consist of such items as—Executive Salaries, Office Salaries, Office Supplies, Postage, Telephone, Telegraph, Advertising, Association Dues, Loss and Damage, Insurance, Estimating Expense, State Taxes, Corporation Taxes and Interest on Loans and Discounts.

One of the most difficult problems is the proper division of OVERHEAD. After careful consideration your Committee recommends the following plan:

c 1—Ascertain the percentage of gross business done in each department; take this percentage in each case, and add to it the percentage figures obtained in paragraph a-2, schedule D, being the percentage of the building occupied by each department. Divide the total by two, and use the result as a percentage figure to divide Overhead.

(See System illustrated on Page 13 under DISTRIBUTION OF OVERHEAD.)

c 2—Charge to each department its percentage of the total Overhead as shown in Outline—Overhead Clearing Account.

E—CLEARING AND GENERAL MISCELLANEOUS ACCOUNTS

Clearing Accounts are necessary to combine charges that apply to more than one department, and to distribute the correct proportion of such charges to each department — the following clearing accounts are recommended:

- 1—Real Estate or Leasehold
- 2—Overhead
- 3—Prepaid Items
- 4—Profit and Loss, Suspense or other General Accounts not heretofore included.

A METHOD OF FINDING COST OF SPACE IN A HOUSEHOLD GOODS WAREHOUSE BASED ON COST OF CONSTRUCTION

1920

The estimate herein has been compiled from the best information available, and is intended to represent an average. A fireproof furniture warehouse 50x100 ft., six stories and basement, built of a concrete skeleton with reinforced concrete floors, beams and columns, brick curtain and fire walls, metal sash with wire glass, fire doors, face brick front with stone or terra cotta trimming including office, fireproof vault, rug vault, piano room, boiler and fuel room, and necessary toilets and file room. The building to be complete with one electric freight elevator 9x20 ft., and one combination passenger and freight elevator 8x8 ft., a steam heating plant for the office, piano room and packing room, all necessary plumbing, and wiring for electric lights and power; total cubical size including foundation, elevator shaft, parapet walls—

| | | |
|-----|--|--------------|
| A-1 | 425,000 cubic feet at the construction cost, without rooms, per cubic foot, 35c..... | \$148,750.00 |
| A-2 | Cost of land as an average, 15 per cent cost of building | 22,312.00 |
| A-3 | Interest on carrying charges on building during construction | 3,470.00 |
| A-4 | Interest and carrying charges on land..... | 1,895.00 |
| A-5 | Fire insurance on building during construction..... | 444.00 |
| | | <hr/> |
| | | \$176,871.00 |

ANNUAL COST OF CARRYING CHARGES

| | | |
|-----|--|--------------|
| B-1 | Interest, 7 per cent on \$176,871.00..... | \$ 12,380.97 |
| B-2 | Obsolescence, 1 per cent on buildings..... | 1,526.64 |
| B-3 | Depreciation, 2 per cent on buildings..... | 3,053.28 |
| B-4 | Taxes, 1½ per cent on land and buildings..... | 2,653.06 |
| B-5 | Insurance on buildings, 80 per cent Co-Insurance (\$119,000 at \$2.00 per thousand)..... | 238.00 |
| | | <hr/> |
| | | \$ 19,851.95 |

C-1 Size of building, 425,000 cubic feet, gross.

C-2 Deduction for columns, footers, parapet walls, aisles, office, stairwells, elevator shafts, 50 per cent of gross space,—425,000 cu. ft. equals 212,500 cu. ft.

SPACE COST

| | A | B* |
|--|-------------|-----------------------|
| | ANNUAL COST | MONTHLY COST |
| C-3 Leaving salable space of 212,500 cubic feet. | | 83 1/3 % occupancy |
| C-4 \$19,851.95 annual carrying charges of building, divided by 212,500 cubic feet of salable space equals per cubic foot, | .0934 | .00934 |

NOTE: *The items under column B* represent the monthly charges on a basis of 83 1-3 per cent capacity operation.

ANNUAL DIRECT CHARGES

| | | | |
|--|------------|--------|--|
| D-1 Direct labor | \$3,000.00 | | |
| D-2 Material | 150.00 | | |
| D-3 Interest on working capital, five times monthly income, estimated at \$15,000 | 1,050.00 | | |
| D-4 10 per cent depreciation, 7 per cent interest on warehouse equipment (warehouse trucks, tools, etc.) | 170.00 | | |
| D-5 Light and power..... | 900.00 | | |
| | \$5,270.00 | | |
| D-6 \$5,270.00 divided by 212,500 cubic feet of salable space, equals..... | .0248 | .00248 | |

ANNUAL OVERHEAD

| | |
|---|-------------|
| E-1 Manager | \$3,600.00 |
| E-2 1 Bookkeeper | 1,800.00 |
| E-3 1 Stenographer | 1,200.00 |
| E-4 Postage | 250.00 |
| E-5 Telephone | 240.00 |
| E-6 Advertising | 1,000.00 |
| E-7 Loss and damage, bad debts | 1,000.00 |
| E-8 Association dues and traveling expense | 500.00 |
| E-9 Car fare and extra expense | 1,000.00 |
| E-10 Corporation taxes | 300.00 |
| E-11 Insurance: Workmen's Compensation, Elev. Liability, Accts. Receivable, etc. | 600.00 |
| E-12 Office Supplies | 250.00 |
| | \$11,740.00 |

DISTRIBUTION OF OVERHEAD

Example

\$28,000 equals Volume of Storage Sales, or 40 per cent of total
 25,900 equals Volume of Cartage Sales, or 37 per cent of total
 16,100 equals Volume of Packing Sales, or 23 per cent of total
100 per cent

ESTIMATED SPACE OCCUPIED IN WAREHOUSE BY EACH DEPARTMENT

Storage Department equals 87 per cent
 Cartage Department equals 5 per cent
 Packing Department equals 8 per cent
100 per cent

The average of volume of business and space occupied will give the percentage of OVERHEAD charged to each department.

AVERAGE

Storage—(40 per cent Volume of business plus 87 per cent) space occupied divided by 2 equals $63\frac{1}{2}$ per cent
 Cartage—(37 per cent Volume of business plus 5 per cent) space occupied divided by 2 equals 21 per cent.
 Packing—(23 per cent Volume of business plus 8 per cent) space occupied divided by 2 equals $15\frac{1}{2}$ per cent.

DISTRIBUTION OF STORAGE OVERHEAD

| | A ANNUAL COST | B* MONTHLY COST |
|---|------------------|--------------------|
| | | 83⅓ % occupancy |
| E-13 $63\frac{1}{2}$ per cent of \$11,740.00 divided by 212,500 cubic feet equals..... | .035 | .0035 |

SUMMARY

| | A | B* |
|--------------------------------------|-------------|-------------------|
| | ANNUAL COST | MONTHLY COST |
| | | 83⅓% occupancy |
| C- 4 Space cost per cubic foot | .0934 | .00934 |
| D- 6 Direct Charges per cubic foot | .0248 | .00248 |
| E-13 Overhead charges per cubic foot | .035 | .0035 |
| | <hr/> | <hr/> |
| Total cost per cubic foot | .1532 | .01532 |

A METHOD OF FINDING COST OF SPACE IN A HOUSEHOLD GOODS
WAREHOUSE BASED ON COST OF CONSTRUCTION, 1920. IN-
CLUDING ONE FLOOR OF ROOMS CONSTRUCTED IN THE
BUILDING, AS DESCRIBED ON PAGE ELEVEN.

| | A ANNUAL COST | B* MONTHLY COST 83 1/3 % occupancy |
|---|------------------|---|
| A-1 Cost of building, as per C-4, per cubic foot, | .0934 | .00934 |
| A-2 Direct charges, as per items D-1 to D-6, inclusive, per cubic foot | .0248 | .00248 |
| A-3 Overhead, as per item E-13 per cubic foot, | .035 | .0035 |
| A-4 Total cost of open storage per cubic foot, | .1532 | .01532 |

COST OF ROOMS

| | | |
|---|----------------|--------------------|
| B-1 Salable space on one floor of open storage | 30,359 cu. ft. | |
| B-2 Lost space for room partitions and doors, 15 per cent of 30,359 cubic feet equals | 4,553 cu. ft. | |
| B-3 Leaving salable space of | 25,806 cu. ft. | |
| B-4 Estimated cost of one floor of rooms, | \$9,000.00 | |
| B-5 Interest, 7 per cent on \$9,000.00 | | \$ 630.00 |
| B-6 Obsolescence, 1 per cent on above | | 90.00 |
| B-7 Depreciation, 2 per cent on above | | 180.00 |
| B-8 Taxes, 1 1/2 per cent on above, | | 135.00 |
| B-9 Insurance, 80 per cent Co-Insurance, | | 18.00 |
| B-10 30,359 cubic feet at cost of .1532 per cubic foot equals | | 4,650.99 |
| | | <u>\$ 5,703.99</u> |
| C-1 \$5,703.99 annual carrying charges on cost of rooms divided by 25,806 cubic feet salable space of room storage equals, total cost of room storage, per cubic foot | .221 | .0221 |

INFORMATION

The Costs and Accounting Committee is interested in receiving advice and counsel.

If you have a suggestion, please help us with your advice.

If you have a problem that is bothering you, submit the same in detail.

Every effort will be made to assist you in your Accounting Methods.

WM. T. BOSTWICK,
Chairman.